

# Minnesota Department of Administration Disparity Study 2009



November 19, 2009

# *Presentation Agenda*



- Introduction
- Who is MGT of America, Inc.
- State of Minnesota Disparity Study Objectives
- Legal Guidelines and Methodology
- Background
- Key Findings and Recommendations
- Questions and Answers

***Who is MGT of America, Inc.?***

# About MGT of America




- MGT is a national management and research consulting firm specializing in finding solutions for the public sector
- Over 35 years of consulting experience and 3,700 client engagements completed in 50 states
- Since 1989, MGT has conducted disparity studies to over 120 jurisdictions
- Founded in 1974 in Tallahassee, Florida
- Network of offices – over 130 employees
  - Tallahassee, Florida
  - Austin, Texas
  - Olympia, Washington
  - Sacramento, California
  - Washington, D.C.


# Study Objectives



- Examine what, if any, barriers may have resulted in disparities in the utilization of available minority-owned, woman-owned, and targeted group business enterprises (M/WBE and TGBs)
- Identify from the most accurate sources the availability of M/WBEs and TGBs that are ready, willing, and able to do business with each of the Governmental Units in the relevant market areas
- Analyze state funded contracting and procurement data of the Departments of Administration and Transportation and the non-federal funded contracting and procurement data of each of the Metropolitan Agencies to determine their respective utilization, as well as each of the Governmental Units utilization as a whole, of M/WBEs and TGBs
- Determine the extent to which any identified disparities in the utilization of available M/WBEs and TGBs by each of the Governmental Units might be impacted by discrimination
- Recommend programs to remedy the effects of any discrimination identified, and to reduce or eliminate any other marketplace barriers that adversely affect the contract participation of such M/WBEs and TGBs



# ***Legal Guidelines and Methodology***



# *Legal Guidelines*

- Croson
  - Strict Scrutiny Standard of Review
    - Compelling interest can be found in private sector discrimination
  - Narrow Tailoring
    - Burden on third parties
    - Goals related to availability
    - Flexibility
  - Race-Neutral Efforts
    - Evaluate and Employ Race-Neutral Methods

# *Methodology*

- Market Area, Utilization, and Availability Analyses
- Disparity Analyses
- Capacity Analyses/Regression Analyses
- Anecdotal Analyses
- Findings, Commendations, Recommendations

# ***Background***

# *Background*

- Agencies included in the study
  - Department of Administration (Admin)
  - Department of Transportation (Mn/DOT)
  - Metropolitan Council (Met Council)
  - Metropolitan Airports Commission (MAC)
  - Metropolitan Mosquito Control District (MMCD)
  - Metropolitan Sports Facilities Commission (MSFC)
- Study periods
  - January 1, 2002-December 31, 2007 for Admin, Mn/DOT, MMCD, and MSFC
  - July 1, 2004-June 30, 2007 for MAC
  - January 2003-December 31, 2007 for Met Council

# *Background (Cont'd.)*

- Business categories analyzed
  - Construction
  - Architectural and engineering
  - Goods, equipment, and supplies
  - Professional services
  - Other services
- Prime contracting on all business categories
- Subcontracting analysis for construction only - Admin, Mn/DOT, Met Council, and MAC
- Focus on availability analysis was bidders, vendors, and census

# ***Utilization Findings***

# *Administration Prime Utilization*



- The dollar value of M/WBE prime utilization by Admin over the study period was as follows:
  - 59 M/WBEs won prime construction contracts for \$15.43 million (3.02 % of the total)
  - 33 M/WBEs won prime professional services contracts (including A&E) for \$10.63 million (3.21 % of the total)
  - 167 M/WBEs won other services contracts for \$15.13 million (8.05 % of the total)
  - 289 M/WBEs won goods, equipment, and supplies contracts for \$19.82 million (3.95 % of the total)

# *Mn/DOT Prime Utilization*



- The dollar value of M/WBE prime utilization by Mn/DOT over the study period was as follows:
  - Nine M/WBEs won prime construction contracts for \$12.77 million (2.20% of the total)

# *MAC Prime Utilization*

- The dollar value of M/WBE prime utilization by MAC over the study period was as follows:
  - Two M/WBEs won prime construction contracts for \$1.86 million (0.63 % of the total)
  - No M/WBEs won prime architecture and engineering contracts
  - One M/WBEs won prime professional services contracts for \$11,515 (0.07 % of the total)
  - Three M/WBEs won other services contracts for \$11,858 (0.05 % of the total)
  - Eight M/WBEs won goods, equipment, and supplies contracts for \$1.73 million (12.38 % of the total)

# *Met Council Prime Utilization*



- The dollar value of M/WBE prime utilization by Met Council over the study period was as follows:
  - 14 M/WBEs won prime construction contracts for \$528,968 (0.15 % of the total)
  - Six M/WBEs won prime architecture and engineering contracts for \$334,691 (2.21 % of the total)
  - Two M/WBEs won prime professional services contracts for \$17,987 (0.08 % of the total)
  - 15 M/WBEs won other services contracts for \$1.39 million (3.08 % of the total)
  - Nine M/WBEs won goods, equipment, and supplies contracts for \$271,990 (1.61 % of the total)

# *MMCD Prime Utilization*

- The dollar value of M/WBE prime utilization by MMCD over the study period was as follows:
  - No M/WBEs won prime construction or architecture and engineering contracts
  - Four M/WBEs won prime professional services contracts for \$5,391 (1.81 % of the total)
  - Three M/WBEs won other services contracts for \$52,239 (0.49 % of the total)
  - Three M/WBEs won goods, equipment, and supplies contracts for \$20,658 (2.39 % of the total)

# *MSFC Prime Utilization*

- The dollar value of M/WBE prime utilization by MSFC over the study period was as follows:
  - Two M/WBEs won prime construction contracts for \$1.3 million (11.70 % of the total)
  - No M/WBEs won prime architecture and engineering contracts
  - Four M/WBEs won prime professional services contracts for \$75,428 (1.10 % of the total)
  - Two M/WBEs won other services contracts for \$15,562 (0.89 % of the total)
  - Four M/WBEs won goods, equipment, and supplies contracts for \$43,969 (0.30 % of the total)

# ***Subcontracting Findings***

# *Admin Subcontracting Utilization*

- The dollar value of M/WBE sub utilization on Admin projects over the study period was as follows:
  - Four M/WBEs won construction subcontracts for \$2.07 million (1.73% of the total)

# ***Mn/DOT Subcontracting Utilization***

- The dollar value of M/WBE sub utilization on Mn/DOT projects over the study period was as follows:
  - Five M/WBEs won construction subcontracts for \$1.13 million (0.71% of the total)

# *Met Council Subcontracting Utilization*



- The dollar value of M/WBE sub utilization on Met Council projects over the study period was as follows:
  - One M/WBE won construction subcontracts for \$24,500 (10.89% of the total)

# *MAC Subcontracting Utilization*



- The dollar value of M/WBE sub utilization on MAC projects over the study period was as follows:
  - 11 M/WBEs won construction subcontracts for \$4.26 million (12.54% of the total)



# ***Anecdotal Analysis Findings***

# *Anecdotal Analysis Findings*

## M/WBE Respondents on Prime Contracting Barriers

- The biggest concern among respondents was competing against large firms (30-37%). Other key issues noted were as follows:
  - Selection process (21-26%)
  - Contracts are too large (17-21%)
  - Restrictive Contract Specifications (17-21%)
  - Rigid bid specifications (13-19%)
  - Limited knowledge of policies and procedures (12-16%)
  - Time allotted to prepare bids and quotes (11-13%)
  - Performance bond requirements (11-13%)
  - Pre-qualification requirements (10-12%)

# *Anecdotal Analysis Findings*

## *(Cont'd.)*

### M/WBE Respondents on Subcontracting Barriers

- Of the M/WBE respondents who answered our questions about subcontracting, the primary issue noted was:
  - More than 20% of M/WBE respondents strongly agreed or agreed that an informal network of firms limited their ability to obtain work in the private and public sectors
  - 31.57 % of M/WBE respondents strongly agreed or agreed that primes change bidding and subcontracting practices when there are no TGB goals on a project

# ***Anecdotal Analysis Findings (Cont'd.)***

## **M/WBE Respondents on Discrimination in the Private Sector**

- 11.9 percent of M/WBE respondents reported experiencing discriminatory behavior from private sector organizations. The group with the highest percentage reporting discriminatory behavior in the private sector was nonminority women (8.3%)

# *Private Sector*

- The utilization of M/WBE firms on private sector commercial construction projects in the city of St. Paul was significantly lower and generally below most measures of M/WBE availability in the marketplace. Over the study period, M/WBEs won less than 2 percent of private sector commercial construction subcontracts.
- Two recent studies using Public Use Microdata Sample (PUMS) data and Current Population Survey (CPS) data found statistically significant disparities in earnings from and entry into self employment for women and minorities in the state of Minnesota.

***Key Recommendation:  
SBE, Aspirational Goals,  
Goal Setting***

# ***Recommendations: All Agencies***



- SBE Program for Prime Contracts
- SBE Program for Subcontracts
- Annual Aspirational M/WBE Goals
- Target Group Participation
- Geographical Preferences and HUBZones
- M/WBE Subcontractor Plans (Mn/DOT)

# ***Recommendations: All Agencies (Cont'd.)***



- Best Practices
  - Small Purchases
  - Small Business Enterprise Bid Preferences
  - Bidder Rotation
  - Contract Sizing



***Recommendations for  
Targeted Group Business  
Participation***

# ***TARGET GROUP PARTICIPATION***

## ***MINNESOTA DEPARTMENT OF ADMINISTRATION***

Targeted Group by Business Category	African American	Hispanic American	Asian American	Native American	Nonminority Women
<b>Construction Prime Contractors</b>					
Disparity	YES	YES	YES	YES	YES
<b>Construction Subcontractors</b>					
Disparity	YES	YES	NO	YES	YES
<b>Professional Services Prime Consultants</b>					
Disparity	YES	YES	YES	YES	YES
<b>Other Services Firms</b>					
Disparity	NO	YES	NO	NO	YES
<b>Goods and Supplies Vendors</b>					
Disparity	YES	YES	YES	YES	YES

Source: Disparity findings are taken from the disparity exhibits shown in Department of Administration Report Appendix I.

Findings are derived from the utilization and availability analyses in Chapter 3 and census availability data

# ***TARGET GROUP PARTICIPATION MINNESOTA DEPARTMENT OF TRANSPORTATION***

Targeted Group by Business Category	African American	Hispanic American	Asian American	Native American	Nonminority Women
Construction Prime Contractors					
Disparity	YES	YES	YES	YES	YES
Construction Subcontractors					
Disparity	YES	YES	YES	YES	YES

Source: Disparity findings are taken from the disparity exhibits shown in Department of Administration Report Appendix I.

Findings are derived from the utilization and availability analyses in Chapter 3 and census availability data

# **TARGET GROUP PARTICIPATION METROPOLITAN COUNCIL**

Targeted Group by Business Category	African American	Hispanic American	Asian American	Native American	Nonminority Women
<b>Construction Prime Contractors</b>					
Disparity	YES	YES	YES	YES	YES
<b>Construction Subcontractors</b>					
Disparity	YES	YES	NO	YES	YES
<b>Architecture and Engineering</b>					
Disparity	YES	YES	YES	NO	YES
<b>Professional Services Prime Consultants</b>					
Disparity	YES	YES	YES	YES	YES
<b>Other Services Firms</b>					
Disparity	YES	YES	YES	YES	YES
<b>Goods and Supplies Vendors</b>					
Disparity	YES	YES	YES	YES	YES*

Source: Disparity findings are taken from the disparity exhibits shown in Department of Administration Report Appendix I.

Findings are derived from the utilization and availability analyses in Chapter 3 and census availability data

# ***TARGET GROUP PARTICIPATION METROPOLITAN AIRPORTS COMMISSION***

Targeted Group by Business Category	African American	Hispanic American	Asian American	Native American	Nonminority Women
<b>Construction Prime Contractors</b>					
Disparity	YES	YES	YES	YES	YES
<b>Construction Subcontractors</b>					
Disparity	NO	YES	NO	NO	YES
<b>Architecture and Engineering</b>					
Disparity	YES	YES	YES	YES	YES
<b>Professional Services Prime Consultants</b>					
Disparity	YES	YES	YES	NO	YES
<b>Other Services Firms</b>					
Disparity	YES	YES	YES	YES	YES
<b>Goods and Supplies Vendors</b>					
Disparity	NO	YES	NO	NO	YES*

Source: Disparity findings are taken from the disparity exhibits shown in Department of Administration Report Appendix I.

Findings are derived from the utilization and availability analyses in Chapter 3 and census availability data

# ***TARGET GROUP PARTICIPATION METROPOLITAN MOSQUITO CONTROL DISTRICT***

Targeted Group by Business Category	African American	Hispanic American	Asian American	Native American	Nonminority Women
<b>Construction Prime Contractors</b>					
Disparity	YES	YES	YES	YES	YES
<b>Architecture and Engineering</b>					
Disparity	YES	YES	YES	NO	YES
<b>Professional Services Prime Consultants</b>					
Disparity	YES	YES	YES	YES	YES
<b>Other Services Firms</b>					
Disparity	YES	YES	YES	YES	YES
<b>Goods and Supplies Vendors</b>					
Disparity	YES	YES	YES	YES	YES*

Source: Disparity findings are taken from the disparity exhibits shown in Department of Administration Report Appendix I.

Findings are derived from the utilization and availability analyses in Chapter 3 and census availability data

# ***TARGET GROUP PARTICIPATION METROPOLITAN SPORTS FACILITIES COMMISSION***

Targeted Group by Business Category	African American	Hispanic American	Asian American	Native American	Nonminority Women
<b>Construction Prime Contractors</b>					
Disparity	YES	YES	YES	YES	NO
<b>Architecture and Engineering</b>					
Disparity	YES	YES	YES	NO	YES
<b>Professional Services Prime Consultants</b>					
Disparity	YES	YES	YES	NO	YES
<b>Other Services Firms</b>					
Disparity	YES	YES	YES	YES	YES
<b>Goods and Supplies Vendors</b>					
Disparity	YES	YES	YES	YES	YES

Source: Disparity findings are taken from the disparity exhibits shown in Department of Administration Report Appendix I.

Findings are derived from the utilization and availability analyses in Chapter 3 and census availability data

# *Questions and Answers*